

State's Economic Picture Improves

The Present

Although the last national recession ended more than two years ago, the nation and Washington State only now are emerging from lingering economic weakness. For both, the recovery is the longest without a sustained increase in employment in post-war history.

Washington's employment levels stabilized in 2003 after reaching an unemployment rate of 7.2 percent. Still, the state continues to have one of the highest jobless rates in the country. Employment is not expected to improve markedly until 2005. Other indicators of economic health were more positive this year. Personal income grew at a more robust rate of 4.3 percent in the period, up by 1 percent from 2002.

The aerospace industry continued to shed jobs during the year, with a drop of 15.3 percent. The recent recession hit other manufacturing employment hard in Washington, along with the rest of the country. Washington manufacturing employment excluding aerospace fell by 5.2 percent, marking the fifth year in a row that manufacturing employment in Washington declined.

The Future

The economy gradually will improve over the next two years. The state Economic and Revenue Forecast Council expects Washington's economic activity to pick up slightly in 2004 and strengthen significantly in 2005. Growth in wage and salary employment is predicted to increase by only 0.1 percent next year but return to growth of 2 percent in 2005, a rate closer to the long-term average. Washington's employment performance is expected to be comparable to national growth rates for both years.

Washington's personal income growth will rebound in both years, with growth of 3.8 percent and 4.9 percent, respectively. However, the state's personal income growth will lag slightly behind the U.S. as a whole, which is predicted to be 4.2 percent in 2004 and 5.5 percent in 2005.

Manufacturing employment in Washington is projected to continue its decline in both 2004 and 2005. The

current fall in aerospace employment is expected to continue, with a further drop of 12.2 percent next year, followed by a decline of 4 percent in 2005. Other manufacturing sectors are expected to decline next year by about 3,400 jobs, a 1.7 percent decrease. However, growth is expected to return in 2005 with an increase in manufacturing employment excluding aerospace of 0.5 percent, or about 1,000 jobs.

In the non-manufacturing sectors, the strongest growth is predicted to occur in the information sector, with an employment growth increase of 0.8 percent next year followed by a large rebound of 6.1 percent growth in 2005. Financial activities employment growth is expected to be another bright spot in the coming recovery. Employment growth in that sector should grow by a relatively strong 2.5 percent next year and by 2.3 percent the following year. Retail trade employment is forecast to show slightly positive growth of 0.7 percent next year and 0.9 percent in 2005. Employment growth in transportation, warehousing and utilities is expected to see no growth next year but bounce back strongly with 4.3 percent growth in 2005. Employment in the services industries is forecast to grow by 0.9 percent next year and 3.1 percent in 2005.

The worst growth performance among the non-manufacturing sectors is predicted to occur in the natural resources and mining industries. Employment in these industries is expected to fall by 7.8 percent in 2004 and by 1.8 percent in 2005. State and local government employment is expected to continue showing the impacts of budget cuts with a decline of 0.6 percent in 2004 and a modest increase of 0.5 percent in 2005. Federal government civilian employment is forecast to fall next year by 1.6 percent and then grow slightly by 0.3 percent the following year

Percent Change in Wage & Salary Employment
Washington State vs. U.S. Average

